

CITY OF HAYWARD

AGENDA REPORT

AGENDA DATE 07/23/02

AGENDA ITEM 11

WORK SESSION ITEM _____

TO: Redevelopment Agency Board Members

FROM: Director of Community and Economic Development

SUBJECT: Authorization to Enter into an Exclusive Negotiating Agreement with Sonic Development, LLC for a Proposed Development at Mission Boulevard and Orchard Avenue

RECOMMENDATION:

It is recommended that the Agency Board adopt the attached resolution authorizing the Executive Director to enter into an Exclusive Negotiating Agreement with Sonic Development, LLC.

DISCUSSION OR BACKGROUND:

In July 2001 the Downtown Hayward Redevelopment Area was amended to include most of the properties on Mission Boulevard within the City of Hayward. The Redevelopment Plan adoption process included the establishment of broad goals for the Mission Boulevard corridor. One of the initial goals for the new Redevelopment Area is to improve the capacity of auto dealerships located in the auto row area by clustering the dealerships and implementing streetscape, signage and promotional programs.

Shortly after plan adoption Sonic Development LLC (Sonic), which owns and operates Hayward Honda, located at 24895 Mission Boulevard, began to develop a concept to expand and consolidate their new and used car sale operations on the adjacent properties at the Mission Boulevard intersection with Orchard Avenue (see Exhibit A). Sonic has negotiated with the property owners to purchase or ground lease all three necessary parcels. Three businesses are currently located on site and Sonic has already given notice to terminate its lease with one of these businesses, Labor Ready. The other two businesses, Tanglewood Liquors and the El Grullense Tacqueria, have not responded favorably to offers made by Sonic representatives to acquire their leases.

In April 2002 Sonic formally approached the Agency for assistance with acquiring the leases of the two businesses and business relocations. Pursuant to the Redevelopment Plan and the Agency's rules governing owner and business participation, owners of real property and/or businesses may participate in the redevelopment of property to be included in the proposed project if they otherwise meet the requirements of the Agency and the Redevelopment Plan. On June 14, 2002 the Agency released a Request for Proposals to all of the on-site property and business owners. Proposals were to be submitted to the Redevelopment Agency no later than July 12 for consideration. Only Sonic submitted a proposal.

Sonic is a publicly traded company that operates nationwide with over 160 auto dealerships and 30 repair centers, including the Hayward Honda dealership. They sell over 30 brands of vehicles and light trucks and are the largest Volvo and BMW dealer in the nation. The Hayward location generates new and used car sales of over \$31 million in sales. The new facility is projected to generate an additional \$12 million in sales. These sales translate into a significant annual increase in sales tax to the City.

Sonic is proposing to expand their operation by assembling and re-developing the southwest corner of Mission Boulevard and Orchard Avenue, and developing a new Hayward Honda sales showroom facility. The existing new car sales location at the northwest corner of Orchard and Mission would be converted to a parts sales and service facility. The used car sales lot, which had been located at the southeast corner of Orchard and Mission, is no longer there because the lease expired. Sonic is attempting to locate its used car sales operation nearby. In the event they are unable to find a suitable location, however, they may wish to sell used cars as an adjunct to their new car sales at the proposed new facility.

It is recommended that the Agency Board authorize the Executive Director to enter into an Exclusive Negotiating Agreement (ENA) with Sonic for a period not to exceed 6 months. The developer has agreed to pay a deposit for the ENA of \$25,000. This deposit would be non-refundable to the extent necessary to pay the costs of the Agency (legal counsel and other consultants) until there is an executed Owner Participation Agreement with the Agency. The ENA will allow time for the Agency to consider the feasibility of the project as more details are developed and the need for Agency involvement is clarified.

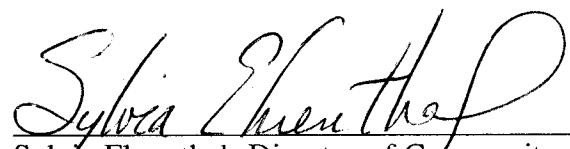
During the period of the ENA, Sonic will prepare and submit a site plan review application. Sonic will also continue to diligently pursue acquisition of leaseholds from individual business owners during the exclusive negotiation period. It is projected that the proposed development plans and the Owner Participation Agreement, detailing the Agency's proposed role in the project, will be presented to City Council for consideration by December 2002.

A copy of the ENA, in substantially final form, is on file in the Office of the City Clerk. The affected property and business owners have been notified that this proposal is scheduled for Agency Board consideration.

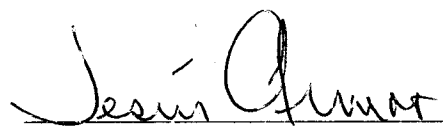
Prepared by:


Maret Bartlett, Redevelopment Director

Recommended by:


Sylvia Ehrenthal, Director of Community and
Economic Development

Approved by:


Jesús Armas, City Manager

Exhibits: Exhibit A - Map
 Resolution

DRAFT



REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA-_____

Introduced by Agency Member _____

RESOLUTION AUTHORIZING THE EXECUTIVE
DIRECTOR TO EXECUTE AN EXCLUSIVE
NEGOTIATION AGREEMENT BETWEEN THE
REDEVELOPMENT AGENCY OF THE CITY OF
HAYWARD AND SONIC DEVELOPMENT, LLC FOR A
PROPOSED DEVELOPMENT AT MISSION
BOULEVARD AND ORCHARD AVENUE

BE IT RESOLVED by the Agency Board of the City of Hayward that the
Executive Director is hereby authorized and directed to execute on behalf of the
Redevelopment Agency an exclusive negotiating agreement with Sonic Development, LLC
for a proposed development at Mission Boulevard and Orchard Avenue.

HAYWARD, CALIFORNIA _____, 2002

ADOPTED BY THE FOLLOWING VOTE:

AYES: AGENCY MEMBERS:

MAYOR:

NOES: AGENCY MEMBERS:

ABSTAIN: AGENCY MEMBERS:

ABSENT: AGENCY MEMBERS:

ATTEST: _____

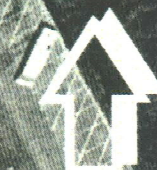
Secretary of the Redevelopment Agency
of the City of Hayward

APPROVED AS TO FORM:

General Counsel

Sonic Automotive Inc. Hayward Honda

EXHIBIT A



Mission Boulevard

24874 Mission Blvd.

Carlos Bee Boulevard

24895
Mission Blvd.

Orchard Avenue

24919 Mission Blvd.

24933 Mission Blvd.

24947 - 24975
Mission Blvd.

